

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

A.B.B. Joint Fire District
Van Buren County
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2004

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INDEPENDENT AUDITORS' REPORT

Members of the Board A.B.B. Joint Fire District

We have audited the accompanying financial statements of the governmental activities and each major fund of A.B.B. Joint Fire District (the District), as of June 30, 2004, and for the year then ended, which collectively comprise the District's financial statements, as listed in the contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the respective financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of A.B.B. Joint Fire District as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 7, the A.B.B. Joint Fire District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of July 1, 2003.

The budgetary comparison schedule, on page 13, is not a required part of the basic financial statements of the A.B.B. Joint Fire District, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The District has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Members of the Board
A.B.B. Joint Fire District
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the A.B.B. Joint Fire District's basic financial statements. The accompanying supplementary data on page 13 is presented for the purpose of additional analysis and are not required parts of the basic financial statements. The supplementary data have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

May 15, 2005

BASIC FINANCIAL STATEMENTS

A.B.B. Joint Fire District**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS**

June 30, 2004

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
ASSETS			
Cash	\$ 148,900	\$ -	\$ 148,900
Prepaid insurance	1,438	-	1,438
Fixed assets (net)	<u>-</u>	<u>705,882</u>	<u>705,882</u>
Total assets	<u>\$ 150,338</u>	<u>\$ 705,882</u>	<u>\$ 856,220</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 13,061	\$ -	\$ 13,061
Current portion of long-term debt	<u>-</u>	<u>41,120</u>	<u>41,120</u>
Total current liabilities	13,061	41,120	54,181
Long-term debt - noncurrent portion	<u>-</u>	<u>73,762</u>	<u>73,762</u>
Total liabilities	<u>13,061</u>	<u>114,882</u>	<u>127,943</u>
FUND BALANCE			
Fund balance - unreserved, undesignated	<u>137,277</u>	<u>(137,277)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 150,338</u>		
NET ASSETS			
Investment in capital assets		591,000	591,000
Unrestricted		<u>137,277</u>	<u>137,277</u>
Total net assets		<u>\$ 728,277</u>	<u>\$ 728,277</u>
Operating Fund - fund balance			\$ 137,277
Amounts reported in the statement of net assets are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the fund.			705,882
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the fund.			<u>(114,882)</u>
Net assets of <i>governmental activities</i>			<u>\$ 728,277</u>

See notes to financial statements

A.B.B. Joint Fire District**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE/STATEMENT OF ACTIVITIES**

Year ended June 30, 2004

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
EXPENDITURES/EXPENSES			
Fire protection - operations	\$ 220,297	\$ 72,950	\$ 293,247
Debt service:			
Principal	39,522	(39,522)	-
Interest	5,445	-	5,445
Capital outlays	73,104	(73,104)	-
Total expenditures	<u>338,368</u>	<u>(39,676)</u>	<u>298,692</u>
PROGRAM REVENUES			
Intergovernmental charges:			
Arlington Township	90,261	-	90,261
Bangor Township	98,744	-	98,744
City of Bangor	<u>66,523</u>	<u>-</u>	<u>66,523</u>
Total intergovernmental charges	<u>255,528</u>	<u>-</u>	<u>255,528</u>
NET PROGRAM EXPENSE			(43,164)
GENERAL REVENUES - Interest income	<u>1,380</u>	<u>-</u>	<u>1,380</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(81,460)	81,460	-
CHANGE IN NET ASSETS	-	(41,784)	(41,784)
FUND BALANCE/NET ASSETS - BEGINNING	<u>218,737</u>	<u>551,324</u>	<u>770,061</u>
FUND BALANCE/NET ASSETS - ENDING	<u>\$ 137,277</u>	<u>\$ 591,000</u>	<u>\$ 728,277</u>
Net change in fund balance			\$ (81,460)
Amounts reported in the statement of activity are different because:			
Capital assets:			
Current year additions			73,104
Provision for depreciation			(72,950)
Long-term debt - payments			<u>39,522</u>
Change in net assets			<u>\$ (41,784)</u>

See notes to financial statements

A.B.B. Joint Fire District
STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST - Richard Beers Trust
June 30, 2004

ASSETS

Cash	<u>\$ 11,316</u>
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NET ASSETS

Held in trust for other purposes	<u>\$ 11,316</u>
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STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

PRIVATE PURPOSE TRUST - Richard Beers Trust
Year ended June 30, 2004

ADDITIONS

Investment return	\$ 115
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DEDUCTIONS

Scholarships awarded	<u>500</u>
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CHANGE IN NET ASSETS

(385)

NET ASSETS - BEGINNING

11,701

NET ASSETS - ENDING

\$ 11,316

See notes to financial statements

A.B.B. Joint Fire District
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the A.B.B. Joint Fire District (the District), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the District. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the District's financial statements. Also, the District is not a component unit of any other entity.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the District. Currently, all activities of the District are classified as governmental activities, primarily supported by intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Intergovernmental support and other items not properly included among program revenues are reported instead as general revenue.

Financial statements are provided for the sole governmental fund as a separate column in the basic financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues are recognized in the year for which they intended. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

A.B.B. Joint Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The government reports a single major governmental fund, the Operating Fund, which accounts for all financial resources of the District.

Additionally, the District report the following fiduciary fund

- Richard Beers Trust, a private purpose trust fund, that accounts for contributions and earnings thereon, that are available to award scholarships.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector standards.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all intergovernmental support.

d) Assets, liabilities and fund equity:

- i) Bank deposits* - Cash consists of demand deposits and savings accounts.
- ii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.
- iii) Capital assets* - capital assets, which consists of vehicles and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Building and improvements	40 years
Vehicles	15 - 20 years
Equipment	5 - 15 years

A.B.B. Joint Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities and fund equity (continued):*

- iv) *Fund equity* - In the fund financial statements, the Operating Fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - CASH:

Deposits are carried at cost and are maintained at various financial institutions in the name of the District. Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The District's deposits are in accordance with statutory authority. At June 30, 2004, the District has deposits with a carrying amount of \$160,216 (Operating Fund - \$148,900 and Richard Beers Trust - \$11,316), and a bank balance of \$158,520. Of the corresponding bank balance, \$44,350 is covered by federal depository insurance and \$114,170 is uninsured and uncollateralized.

NOTE 3 - CAPITAL ASSETS:

Capital asset activity of the District for the current year was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Capital assets being depreciated:				
Building	\$ 248,767	\$ 67,402	\$ -	\$ 316,169
Vehicles	808,814	-	-	808,814
Equipment	<u>155,079</u>	<u>5,702</u>	<u>-</u>	<u>160,781</u>
Total capital assets being depreciated	<u>1,212,660</u>	<u>73,104</u>	<u>-</u>	<u>1,285,764</u>
Less accumulated depreciation for:				
Building	58,258	7,062	-	65,320
Vehicles	360,245	53,920	-	414,165
Equipment	<u>104,429</u>	<u>11,968</u>	<u>-</u>	<u>116,397</u>
Total accumulated depreciation	<u>522,932</u>	<u>72,950</u>	<u>-</u>	<u>595,882</u>
Capital assets being depreciated, net	<u>689,728</u>	<u>154</u>	<u>-</u>	<u>689,882</u>
Capital assets not being depreciated - land	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>16,000</u>
Capital assets, net	<u>\$ 705,728</u>	<u>\$ 154</u>	<u>\$ -</u>	<u>\$ 705,882</u>

A.B.B. Joint Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - LONG-TERM DEBT:

At June 30, 2004, long-term debt is comprised of the following:

The District has an outstanding balance of \$114,882 on the 2002 \$189,361, 4.00% Equipment Acquisition Note Payable, Bank. The note is due in monthly installments of \$3,747 including interest, through March 2007.

Long-term debt activity for the year ended June 30, 2004, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Bank note	\$ 154,404	\$ -	\$ (39,522)	\$ 114,882	\$ 41,120

At June 30, 2004, debt service requirements were as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 41,120	\$ 3,847
2006	42,796	2,171
2007	30,966	483
Totals	\$ 114,882	\$ 6,501

NOTE 5 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the Operating Fund. The budget document presents information by function and line items. The legal level of budgetary control adopted by the governing body is the line item level. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

NOTE 6 - CLAIMS ARISING FROM RISKS OF LOSS:

The District is exposed to various risks of loss due to general liability, property and casualty, and workers' compensation potential claims. The risks of loss arising from general liability up to \$1,000,000 aggregate, building contents and property damage, and workers' compensation coverage are managed through purchased commercial insurance.

A.B.B. Joint Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective July 1, 2003, the District implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets as of July 1, 2003:

As previously reported - Operating Fund	\$ 214,990
Prior period adjustment - to correct method of accounting for held checks	<u>3,747</u>
Ad adjusted	218,737
Increase for capital assets used in governmental activities; such assets are not financial resources and, therefore, are not reported in the fund.	705,728
Decrease for long-term liabilities that are not due and payable in the current period, and, therefore, are not reported in the fund.	<u>(154,404)</u>
As restated	<u>\$ 770,061</u>

REQUIRED SUPPLEMENTARY INFORMATION

A.B.B. Joint Fire District
BUDGETARY COMPARISON SCHEDULE -Operating Fund
Year ended June 30, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Intergovernmental support:				
Arlington Township	\$ 94,968	\$ 94,968	\$ 90,261	\$ (4,707)
Bangor Township	103,893	103,893	98,744	(5,149)
City of Bangor	69,992	69,992	66,523	(3,469)
Total intergovernmental support	268,853	268,853	255,528	(13,325)
Interest and rentals	3,100	3,100	1,380	(1,720)
Total revenues	271,953	271,953	256,908	(15,045)
EXPENDITURES				
Fire protection:				
Wages	84,600	84,600	77,806	6,794
Repairs and maintenance	26,000	22,100	36,686	(14,586)
Insurance	23,000	23,000	25,350	(2,350)
Fringe benefits	17,650	17,650	17,728	(78)
Operating supplies	13,500	13,500	14,316	(816)
Small equipment purchases	11,000	14,500	12,782	1,718
Utilities	9,850	10,000	11,646	(1,646)
Professional services	11,000	12,400	10,838	1,562
Payroll taxes	6,500	6,500	6,009	491
Communications	2,500	2,500	2,464	36
Education and training	3,500	3,500	2,008	1,492
Office supplies and other	5,300	5,250	2,664	2,586
Total fire protection	214,400	215,500	220,297	(4,797)
Debt service:				
Principal	34,800	34,800	39,522	(4,722)
Interest	11,000	11,000	5,445	5,555
Capital outlay	55,000	70,000	73,104	(3,104)
Total expenditures	315,200	331,300	338,368	(7,068)
CHANGE IN FUND BALANCES	(43,247)	(59,347)	(81,460)	(22,113)
FUND BALANCES - BEGINNING	218,737	218,737	218,737	-
FUND BALANCES - ENDING	\$ 175,490	\$ 159,390	\$ 137,277	\$ (22,113)

SUPPLEMENTARY DATA

A.B.B. Joint Fire District

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

2002 \$189,361 EQUIPMENT ACQUISITION NOTE PAYABLE, BANK

June 30, 2004

<u>Fiscal period</u>	<u>Interest</u>	<u>Principal</u>	<u>Total require- ments</u>
2005	\$ 3,847	\$ 41,120	\$ 44,967
2006	2,171	42,796	44,967
2007	<u>483</u>	<u>30,966</u>	<u>31,449</u>
	<u>\$ 6,501</u>	<u>\$ 114,882</u>	<u>\$ 121,383</u>

The note is payable in monthly installments of \$3,747, including interest; the final payment is due March 2007.